

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-06-04
POWER FOR APPROVAL TO REVISE)	
ELECTRIC SERVICE SCHEDULE NOS. 10,)	ORDER NO. 30199
400 AND 401)	

Background

Pursuant to Commission approved Stipulation in PacifiCorp's 2005 rate case (PAC-E-05-1, Order No. 29833) PacifiCorp agreed to file a general rate case no later than April 29, 2006 to address cost of service issues not resolved in the 2005 Stipulation and to time the effective date of new rates to coincide with the expiration of the current Monsanto contract (December 31, 2006). The Company's 2006 filing was delayed to permit Company contract negotiations to proceed with Monsanto. The Company's filings in Case Nos. PAC-E-06-04, 06-08 and 06-09 were intended to satisfy its 2005 Stipulation filing commitment.

On June 21, 2006, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) in Case No. PAC-E-06-04 requesting authority to implement revised rates in electric tariff Schedules 10 (Irrigation), 400 (Monsanto Company) and 401 (Nu-West Industries). Simultaneous and related filings were made in Case Nos. PAC-E-06-08 (Nu-West Stipulation) and PAC-E-06-09 (Monsanto Service Agreement). In Order Nos. 30196 and 30197 issued this date we approve the Nu-West Stipulation and Monsanto Service Agreement. The filing in Case No. PAC-E-06-04 can be summarized as follows:

Application – Case No. PAC-E-06-04

PacifiCorp is an electric public utility providing retail electric service to approximately 64,000 customers in the State of Idaho. The Company in this case requests authority to implement revised tariff schedules that would result in a net increase in base rates of \$8.25 million (5.1%) for retail customers under irrigation Schedule No. 10 (\$1.7 million; 5%), Nu-West special contract Schedule No. 401 (\$150,000; 4%) and Monsanto special contract Schedule No. 400 (\$6.8 million; 16.5%).

The Company's filing in Case No. PAC-E-06-04 is accompanied by the testimony and exhibits of Jeffrey K. Larson, Managing Director of Regulatory Affairs for PacifiCorp. Mr. Larson is the Company's witness for both cost-of-service and revenue requirement. Also included with the filing is a May 24, 2006 Stipulation signed by the Idaho Irrigation Pumpers Association (IIPA). The proposed changes in tariff rates are agreed to by IIPA, Nu-West and Monsanto. The Company maintains that the increases to tariff Schedules 10, 400 and 401 are supported by cost-of-service studies and normalized results of operations using a historical test year ending September 30, 2005 and a Company-calculated Idaho revenue requirement deficiency (\$19.35 million). No change in rates is proposed for other Idaho customer classes.

Regarding irrigation customers, the Company also proposes to defer a total of \$450,000 of the revenue collected under Schedule 10 between May 1, 2007 and September 30, 2007 and refund the total, spread equitably to participants in the Irrigation Load Control Credit Rider Program. The total refund would be paid no later than December 31, 2007. The net effect on all Schedule 10 customers would be an average increase of 3.7% in 2007. The refund to the program participants is designed to be an incentive encouraging additional participation in the Load Control Program during the 2007 irrigation season and is in addition to the Load Control Service Credit provided to program participants under Schedule No. 72.

The Company further agreed to meet with the Idaho Irrigation Pumpers Association (IIPA) and other interested parties prior to November 1, 2006 to study alternatives for evaluating the curtailment product provided by the Irrigators to PacifiCorp.

The Company in Case Nos. PAC-E-05-1 (2005 Stipulation) and PAC-E-05-8, Order No. 29998 (MidAmerican Commitment No. I13(b)) agreed to present an analysis in its next rate case with respect to its funding of low-income weatherization programs managed by Community Action agencies. The Company represents that it has reached an agreement with the Community Action Partnership Association of Idaho (CAPAI) that the issue of contributions under electric tariff Schedule No. 21 (Low Income Weatherization Services) could be addressed in a separate proceeding before the Commission (reference PAC-E-06-10).

On August 21, 2006, the Commission issued Notices of Modified Procedure, Scheduling and Hearing in this case. The deadline for filing written comments was November 3, 2006; the deadline for filing reply comments was November 17, 2006. Also scheduled was a hearing date of November 28, 2006 to consider the Company's prefiled testimony and to provide

an opportunity for Commission inquiry regarding filings in this case, PAC-E-06-08 (Nu-West Stipulation) and PAC-E-06-09 (Monsanto Service Agreement).

Timely comments were filed by the Commission Staff, the Community Action Partnership Association of Idaho and a customer residing in Rexburg. In a letter filed with the Commission on November 14, 2006, PacifiCorp expresses its general support for the comments filed by all parties in Case Nos. PAC-E-06-04, PAC-E-06-08 and PAC-E-06-09. PacifiCorp expressed its belief that the written record provides a sufficient basis for the Commission to make its decision on the merits of each Application and requested that the hearing set for November 28, 2006 be vacated.

On November 20, 2006, the Commission finding that the written record formed a sufficient basis for decision, issued Order No. 30181 vacating the hearing scheduled for November 28, 2006.

Staff Comments

Based on the results of Staff's audit and cost of service analysis, Staff recommends that the Commission accept the proposed 2006 IIPA Settlement. Staff's audit demonstrated that reasonable adjustments to the Company's requested revenues did not reduce the Idaho jurisdictional revenue requirement to a level below that proposed by the Company through settlement agreements with Monsanto, Nu-West and the Irrigators. Staff's cost of service results demonstrate that the negotiated increases for the three settlement parties furthest from cost of service do not raise those rates above full cost of service, nor do other classes with rates left unchanged remain unreasonably above cost of service. It appears to Staff that the Company could have potentially justified a larger increase than that proposed but chose to forego a higher request in the short-term in the interest of settlement. Staff's Audit Report is provided as Attachment A to its comments. Staff's adjustments and resulting revenue requirement are regarded by Staff as preliminary for future rate cases when other adjustments may be made. The Idaho revenue requirement including Staff's adjustments was compared to the revenues the Company is currently collecting plus the \$8.25 million in increases it is asking for in the three cases.

Cost of Service

The Company's cost of service results are shown on Company Exhibit No. 2, Page 2 of 3. Those calculations are based on an Idaho jurisdictional revenue requirement of

\$182,112,209. Staff's adjustments in this case reduce the Idaho jurisdictional revenue requirement to \$177,097,281, which represents a potential Idaho jurisdictional revenue requirement increase of \$14,340,942 or an 8.81% increase overall. Staff's cost of service analysis shows the allocation of costs among the various customer classes and suggests rate increases and decreases necessary to bring each class to full cost of service. Study results indicate that four customer classes require double digit increases to attain full cost of service and that three customer classes should receive double digit decreases.

The rate adjustments proposed by the Company, Staff notes, address three of the four classes that Staff's cost of service analysis suggests should receive double digit increases. The Company's proposal recommends that the Commission accept negotiated rate increases with its two special contract customers in Idaho and the Idaho Irrigation Pumpers Association. The Irrigators have agreed to a \$1.7 million, 5.0% rate increase which constitutes a substantial move toward the approximate \$3.7 million required for full cost of service as suggested by the cost of service study. In addition, the Company has agreed as part of the settlement to provide a \$450,000 credit to those who participate in the Irrigation Load Control Program during the 2007 irrigation season. Staff supports the proposed credit.

Nu-West, Special Contract 1 in the cost of service study, has agreed to a \$150,000, 3.8% increase in rates which moves it toward the \$428,000 increase required to attain full cost of service. Finally, Monsanto, Special Contract 2 in the cost of service study, has agreed to a \$6,843,817, 16.5% increase in rates which moves it more than half way toward the approximate \$13 million rate increase required to achieve full cost of service.

The fourth customer class identified as needing a double-digit increase is the street and area lighting class. Although the calculated increase necessary is extremely large at almost 80%, the dollar amount is a relatively small \$254,096. It is Staff's experience, it notes, that customer classes with relatively small total revenue requirements may be subject to volatile cost of service results as allocation factors and accounting data change with each new test year. Rate changes for such customer classes, it contends, should probably be based on consistent results involving more than one test year.

Cost of service, Staff contends, is an imprecise science and in Staff's opinion, should be considered along with other factors such as rate stability when rates are established. In Staff's view the give and take involved in the proposed 2006 Settlement is unusual in that the three

customer classes whose rates are farthest below cost of service have agreed to substantial rate increases and the Company appears to forego advocating for all that it could while other customer classes remain unchanged. In terms of cost of service, acceptance of the proposed 2006 IIPA Settlement and Monsanto and Nu-West rate changes, Staff contends, provides for substantial moves toward full cost of service and sets customer rates that should result in smaller cost of service differences the next time cost of service is considered.

CAPAI Comments

The Community Action Partnership Association of Idaho (CAPAI) in its comments includes a copy of a Settlement Agreement between PacifiCorp and CAPAI dated June 19, 2006. The key elements of the CAPAI/PacifiCorp Agreement include the following:

1. PacifiCorp shall make a one-time cash contribution of shareholder money of ten-thousand dollars (\$10,000) to each of Southeastern Idaho Community Action Agency (SEICAA) and Eastern Idaho Community Action Partnership (EICAP) to be used as funding assistance for the Lend-a-Hand program for the 2006-2007 heating season.
2. PacifiCorp agreed to and did make a formal filing before the Commission (Case No. PAC-E-06-10) to address the Company's limitation of funding only 50% of low-income weatherization costs.
3. PacifiCorp agreed to provide support for legislation sponsored by CAPAI during the 2007 general Idaho legislative session that would give the Commission authority to approve utility-proposed low-income assistance programs, the costs of which would be included in the utility's cost of service.
4. CAPAI agreed to waive PacifiCorp's commitment to file a general rate case and makes no objection to the Company's application in the present case seeking rate increases for Monsanto Corp., Nu-West Industries, Inc. and PacifiCorp's irrigation customers.

CAPAI submits that its Settlement Agreement with PacifiCorp is in the best interest of the general body of PacifiCorp's ratepayers.

CAPAI Petition for Intervenor Funding

Idaho Code § 61-617A and Rules 161-165 of the Commission's Rules of Procedure provide the framework for awards of intervenor funding. Section 61-617A(1) declares that it is the "policy of this state to encourage participation at all stages of all proceedings before the commission so that all affected customers receive full and fair representation in those

proceedings.” Accordingly, the Commission may order any regulated utility with intrastate revenues exceeding \$3,500,000 to pay all or a portion of the costs of one or more parties for legal fees, witness fees, and reproduction costs, not to exceed a total for all intervening parties combined of \$40,000.

Rule 162 of the Commission’s Rules of Procedure provides the form and content requirements of a Petition for Intervenor Funding. The petition must contain: (1) an itemized list of expenses broken down into categories; (2) a statement of the intervenor’s proposed finding or recommendation; (3) a statement showing that the costs the intervenor wishes to recover are reasonable; (4) a statement explaining why the costs constitute a significant financial hardship for the intervenor; (5) a statement showing how the intervenor’s proposed finding or recommendation differed materially from the testimony and exhibits of the Commission Staff; (6) a statement showing how the intervenor’s recommendation or position addressed issues of concern to the general body of utility users or customers; and (7) a statement showing the class of customer on whose behalf the intervenor appeared.

On December 1, 2006, the Community Action Partnership Association of Idaho filed a Petition for Intervenor Funding in Case No. PAC-E-06-04. CAPAI’s filing is in the form required by *Idaho Code* § 61-617A and Commission Rules of Procedure 161-165, IDAPA 31.01.01.161-165. CAPAI requests funding in the total amount of \$927 representing \$15 for photocopy expense and 7.6 hours of legal expense at \$120 per hour. CAPAI notes that because PacifiCorp filed Case No. PAC-E-06-10 dealing with the 50% low-income weatherization funding limitation issue after this case was filed, but before it was concluded, there is some overlap between costs and fees incurred regarding that single issue between the two cases. CAPAI has limited the costs included in this Petition to those costs incurred regarding the 50% issue prior to September 1, 2006 to avoid any duplication. Because this case was settled, CAPAI states that the costs and fees incurred were naturally much less than those typically incurred in a general rate proceeding. In addition, CAPAI notes that it did not retain an expert witness in this case, but relied upon the expertise it has acquired in recent cases and, primarily, on its legal counsel for negotiation and consultation purposes. CAPAI states that it is on an extremely limited budget and, by necessity, must minimize its costs to the greatest extent possible.

CAPAI represents that it is a non-profit corporation overseeing a number of agencies who fight the causes and conditions of poverty throughout Idaho. CAPAI states that its funding

for any given effort might come from a different variety of sources, including governmental. Many of those funding sources, however, it states, are unpredictable. CAPAI represents that its costs of participating in this proceeding constitute a significant financial hardship to the organization. If it were not for the Commission's awarding CAPAI its reasonable costs in past rate cases, CAPAI states that it simply would not be able to afford to participate in and advance the interest of not only low-income ratepayers, but all ratepayers.

CAPAI states that no other intervenor in this proceeding represented, exclusively, the interests of the residential class, particularly the low-income sector of that class. CAPAI contends it raised issues and represented the interests of the general body of PacifiCorp's ratepayers. For example, it states that the Low-Income Weatherization Program for which CAPAI seeks increased funding reduces the consumption of electricity during PacifiCorp's summer peak season helping to defer the acquisition of marginally-priced resources and provides other system-wide benefits including the reduction of bad debt and arrearages. The problems facing PacifiCorp's low-income customers, CAPAI contends, are societal problems that affect us all. CAPAI contends that those problems, if not addressed, adversely affect all utility ratepayers in the form of increased collection and associated costs as well as the write-off of uncollectible accounts.

Furthermore, because the Low-Income Weatherization Program is a DSM program, CAPAI contends it represents a resource to the Company. It is in the best interest of PacifiCorp's ratepayers for the Company, it states, to have a healthy diversity of resources. By promoting the conservation of electricity consumption, CAPAI contends that the Company is able to defer the acquisition of new, marginally higher cost resources.

Though a hearing was never conducted, CAPAI contends that its participation in this case contributed materially towards shaping the scope and focus of the issues and evidence presented to the Commission and thus the ultimate outcome of this proceeding by offering a perspective not offered by any other party.

To the extent that CAPAI represented a specific PacifiCorp class, it contends that it is the residential class.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. PAC-E-06-04 including the comments and recommendations of Commission Staff and the Community

Action Partnership Association of Idaho. As part of our review we considered the filed testimony and exhibits of the Company, the IIPA/PacifiCorp Stipulation and Commission Staff's revenue requirement and cost of service analysis. The Commission continues to find it reasonable to process this case pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.204.

PacifiCorp in this case requests authority to implement revised rates in electric tariff Schedules 10 (Irrigation), 400 (Monsanto Company) and 401 (Nu-West Industries). In considering the proposed changes to tariff Schedules 400 and 401 we have reviewed the related filings made in Case Nos. PAC-E-06-08 (Nu-West Stipulation) and PAC-E-06-09 (Monsanto Service Agreement). The proposed changes in tariff rates are agreed to by IIPA, Nu-West and Monsanto. The proposed revisions to the tariff schedules result in a net increase in base rates of \$8.25 million (5.1%) for retail customers under Irrigation Schedule No. 10 (\$1.7 million; 5%), Nu-West special contract Schedule No. 401 (\$150,000; 4%), and Monsanto special contract Schedule 400 (\$6.8 million; 16.5%). No change in rates is proposed for other Idaho customer classes.

We note that the Community Action Partnership Association of Idaho was a party to the Stipulation approved in Case No. PAC-E-05-01 and was expecting a general rate case to be filed by April 29, 2006 with testimony that would satisfy Commitment No. I13(b) in that case. We acknowledge that that issue is being addressed in a separate proceeding before the Commission. We thank CAPAI for its participation and representation of low and fixed income customers.

Pursuant to Stipulation with IIPA (Paragraph 6), PacifiCorp will defer a total of \$450,000 of the revenue collected under Schedule No. 10 between May 1, 2007 and September 30, 2007, and refund the total, spread ratably to participants in the Irrigation Load Control Credit Rider Program. The total one-time refund is to be paid no later than December 31, 2007. The net effect on all Schedule 10 irrigation customers will be an average increase of 3.7% in 2007. The net increase occurs in a year when the Bonneville Power Administration (BPA) rate credits passed on to PacifiCorp irrigation customers will be significantly reduced. We acknowledge that the refund is in addition to the Load Control Service Credit provided to program participants under Schedule No. 72. We find the refund proposal to be a reasonable incentive to encourage continued and additional participation in the Company's Load Control Program.

We acknowledge that the Stipulation between PacifiCorp and IIPA represents a compromise of party positions. We find the settlement terms to be in the public interest and its terms and conditions to be fair, just and reasonable. IDAPA 31.01.01.272-276.

The Commission finds the proposed changes in rates for Schedules 10, 400 and 401 customers to be supported by the developed record in Case No. PAC-E-06-04 regarding cost of service and revenue requirement. We find the resultant rates to be fair, just and reasonable and in the public interest. *Idaho Code* § 61-301. We find it reasonable to approve an effective date for changes to tariff Schedules 10 and 400 of January 1, 2007. We note that in Order No. 30117 issued August 21, 2006 we approved a September 1, 2006 effective date for proposed changes to Nu-West Schedule 401, subject to refund. In this Order we find that no refund is required and acknowledge the September 1, 2006 effective date. The Commission further finds reasonable the Company's proposal with Irrigators to provide a \$450,000 credit to encourage additional participation in the Irrigation Load Control Program during the 2007 irrigation season.

In approving the rate changes we note that the Company represents that its proposed increase in Schedules 10, 400 and 401 rate enhances its ability to continue to safely and reliably meet the electrical service needs of its customers in Idaho while leaving the rates of the majority of the Company's Idaho customers unchanged. We find the Company's efforts in this regard to be commendable. Approval of the rate changes, we find, also constructively addresses the cost of service disparity issues between customer classes identified in Case No. PAC-E-05-01.

Submitted for Commission consideration in this case is a Petition for Intervenor Funding filed by the Community Action Partnership Association of Idaho. Pursuant to *Idaho Code* § 61-617A(2) the Commission may order PacifiCorp to pay all or a portion of the costs of one or more parties for legal fees, witness fees and reproduction costs not to exceed a total for all intervening parties combined of \$40,000 in any proceeding before the Commission. The total requested by CAPAI is \$927. We find that the Petition of CAPAI was filed timely and satisfied all of the procedural requirements set forth in Rules 161-165 of the Commission's Rules of Procedure.

Idaho Code § 61-617A includes a statement of policy to encourage participation by intervenors in Commission proceedings. The Commission determines an award for intervenor funding based on the following considerations:

- (a) A finding that the participation of the intervenor has materially contributed to the decision rendered by the Commission;
- (b) A finding that the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;
- (c) The recommendation made by the intervenor differed materially from the testimony and exhibits of the Commission Staff; and
- (d) The testimony and participation of the intervenor addressed issues of concern to the general body of users or consumers.

We find that CAPAI's Petition satisfies the findings that we are required to make to justify an award. We find it fair, just and reasonable to award the total request of CAPAI in the amount of \$927 and find that the public interest is well served by such an award. We find that the intervenor funding award to CAPAI will further the purpose of encouraging "participation at all stages of all proceedings before the Commission so that all affected customers receive full and fair representation in those proceedings." *Idaho Code* § 61-617A(1).

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, and the issues presented in this case, pursuant to the powers granted it under Title 61 of the Idaho Code, and pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*, including specifically Rules 272 through 280 as they pertain to Settlements.

The Commission has jurisdiction and authority pursuant to the above identified statute and rules to authorize and require PacifiCorp to re-allocate its revenues among the customer classes, to change its rate components within customer classes, to award intervenor funding and to address the other issues in the manner set forth in the text of this Order.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission hereby approves the proposed revisions to rates in electric tariff Schedules 10 (Irrigation), and 400 (Monsanto Company) for an effective date of January 1, 2007. The Company is directed to file amended tariffs comporting with this Order.

IT IS FURTHER ORDERED that the Schedule 401 (Nu-West Industries) change in rates authorized in prior Commission Order No. 30117 for effective date September 1, 2006 is reaffirmed and that no refund is required.

IT IS FURTHER ORDERED and the Commission does hereby approve the terms and conditions of IIPA/PacifiCorp May 24, 2006 Stipulation submitted in Case No. PAC-E-06-04.

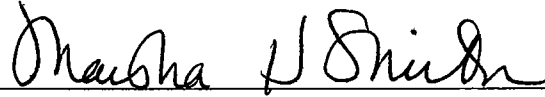
IT IS FURTHER ORDERED that the Community Action Partnership Association of Idaho's Petition for Intervenor Funding is granted in the amount of \$927. Reference *Idaho Code* § 61-617A. PacifiCorp is directed to pay said amount to CAPAI within 28 days from the date of this Order. PacifiCorp shall include the cost of this award of intervenor funding to CAPAI as an expense to be recovered in the Company's next general rate case proceeding from the residential customer class.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18th
day of December 2006.



PAUL KJELLANDER, PRESIDENT

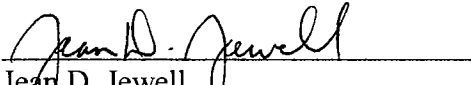


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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